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RECORDATION NO. 9078 Filed & Recorded
NOV 14 1977-10 55 AM

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November 11, 1977

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
Washington, D.C.

7-318A095

Date NOV 14 1977

Fee \$ 150

9078
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INTERSTATE COMMERCE COMMISSION
OPERATION BR.

Gentlemen:

ICC Washington, D. C

Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Act, as amended, are the two counterparts each of (i) an Equipment Lease dated as of October 1, 1977 between Wells Fargo Bank, N.A. and United States Lease Financing, Inc. (ii) an Equipment Lease dated as of October 1, 1977 between United States Lease Financing, Inc. and William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company and (iii) a Security Agreement dated as of October 1, 1977 from Wells Fargo Bank, N.A.

A general description of the railroad rolling stock or other equipment covered by the enclosed documents is set forth in Exhibit A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Secured Party:

The Sumitomo Bank of California
365 California Street
San Francisco, California 94104

Debtor and Lessor:

Wells Fargo Bank, N.A.
475 Sansome Street
San Francisco, California 94111

Lessee and Sub Lessor:

United States Lease Financing, Inc.
633 Battery Street
San Francisco, California 94111

Sub Lessee:

William M. Gibbons, Trustee of
the Property of Chicago, Rock
Island and Pacific Railroad Company
322 South Michigan Avenue
Chicago, Illinois 60605

Open by [Signature] C. S. Kayser

- 2 Model 39-2 Kershaw Tie Injector as
per bulletin L-398-8-76 and Rock
Island specifications.
Manufactured by Kershaw;
supplied by Donald J. Hogan Co.

- 2 W68 Series C Hydraulic Tie Removers
per bulletin No. 788- optional set
off- and turn table to meet Rock
Island specifications.
Manufactured by Fairmont Railway
Motors.

- 4 Model Mark I EA-TD-G Tampers and
the following options 4 wheel drive-
auto up-feed switch-automatic shutdown-
fail safe brakes-emergency hand pump-
1 extra set tamping bars- to meet Rock
Island specifications.
Manufactured by Can Ron Rail Group.

- 1 Injector- Nordberg OMSI as per
bulletin No. 404 and to meet Rock
Island specs.
Manufactured by Rexnord Inc.

* parts and accessories also included.

The undersigned is the Lessee and Sub Lessor mentioned in the enclosed documents and has knowledge of the matters set forth therein.

Please return one counterpart of each of the Leases and the Security Agreement to Charles T. Kappler, Esq., personally or at 200 Trade Center Building, Washington, D. C. 20006. Mr. Kappler is agent of all the parties mentioned for the purpose of making these recordations.

Also enclosed is a check in the amount of \$150.00 covering the required recording fee.

Very truly yours,

UNITED STATES LEASE
FINANCING, INC.

By 

its Vice President

LESSEE AND SUB LESSOR AS AFORESAID

Enclosures

EXHIBIT A TO FINANCING STATEMENT

I. The following described equipment:

<u>Quantity</u>	<u>*Description</u>
4	Pettibone Speed Swing per bulletin P1717 and the following options 4-53 GM diesel-rops cab- heater-defroster-west coast mirrors- farr air cleaner- 13 x 24 x 16 ply tires spare tire and wheels-3 yd. snow bucket-1-1/4 yd. bucket-track cleaning bucket-forks-tote hook-pedestal 30" magnet-generator and hyrail gear- to meet Rock Island Specifications. Manufactured by Pettibone Corp.
1	Mark I Model EA Tamper-fail safe brakes- and per Rock Island specs. Manufactured by Can Ron Rail Group.
3	Railway Track Work Tie Handlers w/24' articulating boom- fail safe brakes- running lights- TR 1000 single head- TG 3000 tie grapple head- to meet Rock Island Specifications. Manufactured by Railway Track Work.
2	Rexnord Rail Gang Spikers with gauging attachments as per Rexnord bulletin 386 and to meet Rock Island specifications. Manufactured by Rexnord Inc.
2	Model 34-3 Scarifier Inserters as per bulletin No. 1-34-3/974 with extended reaching arm all machines to meet Rock Island specifications. Manufactured by Kershaw; supplied by Donald J. Hogan Co.

Interstate Commerce Commission
Washington, D.C. 20423

11/14/77

OFFICE OF THE SECRETARY

Charles T. Kappler.Esq.
200 Trade Center Building
Washington, D.C. 20006

Dear
Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **11/14/77** at **10:55am**,
and assigned recordation number(s) **9077, 9078, 9079**

Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

DUPLICATE

REGISTRATION NO. **9078** Filed & Recorded

(2)

NOV 14 1977-10 55 AM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE
Dated as of October 1, 1977

Between

UNITED STATES LEASE FINANCING, INC.,
as Lessor

and

WILLIAM M. GIBBONS,
Trustee of the Property of
CHICAGO, ROCK ISLAND
and
PACIFIC RAILROAD COMPANY,
as Lessee

DUPLICATE

EQUIPMENT LEASE

THIS EQUIPMENT LEASE, dated as of October 1, 1977 (the Lease), between UNITED STATES LEASE FINANCING, INC., a California corporation, (the Lessor) and WILLIAM M. GIBBONS, Trustee of the Property of CHICAGO, ROCK ISLAND and PACIFIC RAILROAD COMPANY, a Delaware corporation (William M. Gibbons, Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, together with any additional successor Trustee or Trustees of such property, and upon assignment, transfer or succession to the interest therein by the reorganized debtor pursuant to Section 77 of the Federal Bankruptcy Act, such reorganized company and its successor and assigns, being hereinafter referred to as the Lessee).

W I T N E S S E T H :

SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this instrument to designated Sections and other subdivisions are to designated Sections and their subdivisions of this Lease, and the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision;

(b) The terms defined in this Section 1 or elsewhere

in this Lease shall have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular;

(c) Except as otherwise indicated, all the agreements or instruments hereinafter defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof;

(d) The following terms shall have the following meanings for all purposes of this Lease;

(1) Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Equipment for which Appraisal is required, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of such Item, shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the

American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and such decision shall be binding and conclusive on the Lessor and the Lessee. Except as provided in Section 16 hereof, the Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them and shall share equally the fees and expenses of the third appraiser, if any. No value in question determined pursuant hereto shall be less than any such value determined in accordance with the Prime Lease.

(2) Interim Rent, Basic Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

(3) Basic Rent Dates, Interim Rent Daily Factor, Basic Lease Rate Factor, Expiration Date, Final Delivery Date, First Basic Rent Date, First Delivery Date, Last Basic Rent Date, Depreciation Method, Net Salvage Value, Investment Credit, Overdue Rate, Lease Extension Periods, Return of Equipment and Equipment Marking shall have the meanings with respect to each Item of Equipment set forth in Exhibit C hereto.

(4) Business Day shall mean any day which is not a Saturday, Sunday or other day on which banks in Chicago, Illinois or San Francisco, California are authorized to close.

(5) Casualty Value shall have the meaning with

respect to each Item of Equipment set forth in Exhibit D hereto.

(6) Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

(7) Court shall mean the United States District Court for the Northern District of Illinois.

(8) Equipment, and individually an Item of Equipment, shall mean the items of equipment accepted for lease under this Lease pursuant to Section 2 hereof.

(9) Fair Market Value of an Item of Equipment shall be determined on the basis of, and shall mean the aggregate amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than: (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value and all alternative uses in the hands of such buyer or user, including without limitation, the further leasing of such Item of Equipment, shall be taken into account in making such determination. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Equipment, such Fair Market Value shall be determined in accordance with the procedure

for Appraisal.

(10) Lessor's Cost shall have the meaning set forth in the Certificate of Acceptance with respect to each Item of Equipment.

(11) Reorganization Proceedings shall mean the Petition of Reorganization under Section 77 of the Federal Bankruptcy Act, filed March 17, 1975 in the Court and any and all proceedings with respect thereto.

(12) Reorganized Company shall mean any corporation and its successors and assigns, including, without limitation, Rock Island Railroad, which holds, acquires or otherwise succeeds to all or substantially all of the property and business of Rock Island Railroad upon adoption of a plan of reorganization with respect to Rock Island Railroad and the termination of the Reorganization Proceedings.

(13) Prime Lease shall mean the Equipment Lease dated as of the date hereof between the Lessor as lessee and Wells Fargo Bank, N.A., not individually but solely as Trustee (the Owner Trustee) for Michigan National Bank of Detroit (the Beneficiary) as lessor, a copy of which Prime Lease has been delivered by the Lessor to the Lessee; this Lease is subject and subordinate to the Prime Lease.

(14) Purchase Agreement shall mean the agreement dated as of the date hereof between the Lessor and the Lessee providing for the purchase of the Equipment by the Owner Trustee.

(15) Rock Island Railroad shall mean Chicago, Rock Island and Pacific Railroad Company in its individual corporate capacity as distinguished from the Lessee.

SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease and the Prime Lease, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor such Items of Equipment as shall be described in one or more Certificates of Acceptance executed and delivered on behalf of the Lessor with respect thereto and as shall have been delivered and accepted on or after the First Delivery Date but on or before the Final Delivery Date. Upon delivery of each Item of Equipment to the Lessor, the Lessee will cause an authorized representative of the Lessee to inspect the same and, if such Item of Equipment is found to be in good order, to accept such Item of Equipment and to execute and deliver a Certificate of Acceptance with respect thereto, whereupon, such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject to the terms and conditions of this Lease.

The Items of Equipment to be leased hereunder shall be limited in the following respects: (a) each such Item shall have a Lessor's Cost not exceeding 115% of the Estimated Lessor's Cost set forth on Exhibit A hereto, (b) the aggregate Lessor's Cost of all Items shall not exceed \$1,400,000, (c) the Lessor's Cost of Items for which Certificates of Acceptance are executed after December 31, 1977 shall not exceed the lesser of (i) \$30,000 or (ii) 2.5% of the Lessor's Cost of all Items for which

Certificates of Acceptance are in effect on or prior to December 31, 1977, and (d) Certificates of Acceptance shall have been executed and a payment therefor shall have been made on or before January 30, 1978. Any items excludible hereunder shall be excluded pursuant to the Purchase Agreement and the Lessee shall take such appropriate action and indemnify and hold the Lessor harmless to the extent provided in Section 13 hereof with respect to all such excluded Items.

SECTION 3. Term and Rent.

(a) The term of this Lease as to each Item of Equipment shall begin on its date of acceptance, as set forth in the Certificate of Acceptance executed and delivered with respect thereto, and shall end on the Expiration Date, unless this Lease shall have been terminated, or the term of this Lease with respect to such Item of Equipment shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as Basic Rent (herein referred to as Basic Rent) for each Item of Equipment subject to this Lease, the following:

(1) on the First Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item; and

(2) on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay to the Lessor as Interim Rent

(herein referred to as Interim Rent) for each Item of Equipment subject to this Lease on the First Basic Rent Date (together with the installment of Basic Rent then due), an amount equal to the Interim Rent Daily Factor, multiplied by the Lessor's Cost of each such Item multiplied by the number of days from and including the date of payment therefore to the supplier thereof under the Purchase Agreement to but excluding the First Basic Rent Date.

(d) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent and Interim Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Interim Rent and Casualty Value) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value; and

(3) to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of twelve 30-day months) at the Overdue Rate on any payment of Basic Rent, Interim Rent or Casualty Value, not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent (including, without limitation, interest payable under this clause (3), but excluding payment of Casualty Value) not paid when demanded hereunder for the period from the date of such demand until the date on which the same shall be paid.

(d) All payments of Rent hereunder shall be made so that the Lessor shall have immediately available funds on the date payable hereunder, and shall be paid to the Lessor at its address set forth herein or at such other address as the Lessor may direct by notice in writing to the Lessee.

SECTION 4. Net Lease.

This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligations to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatement) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, or against the manufacturer or seller of any Item of Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by any private person, corporation or governmental authority, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and

the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 5. Return of Equipment.

Upon the expiration or termination of this Lease with respect to the Equipment, the Lessee, at its own risk and expense, will return the Items of Equipment then subject to this Lease to the Lessor pursuant to the Lessor's instructions set forth under the heading Return of Equipment in Exhibit C to this Lease and in the condition in which such Equipment is required to be maintained pursuant to Section 9 hereof. Such Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, encumbrances and claims (Liens), other than Liens resulting from voluntary action by the Lessor without the prior approval of the Lessee and not taken as the result of any default by the Lessee (Liens described above being herein referred to as Lessor's Liens).

SECTION 6. Warranties of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranties set forth in paragraph (a) of this Section are in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Equipment; and the Lessor shall not be deemed to have made,

and the LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder and be continuing, all of the Lessor's rights under any applicable manufacturer's or seller's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify and shall hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Equipment to the condition required by Section 9 hereof.

SECTION 7. Liens.

The Lessee will not mortgage, encumber or directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Leased Equipment, title thereto or any

interest therein (and the Lessee will promptly, at its own expense, take such action as may be necessary to duly discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Lessor's Liens, (c) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings do not, in the opinion of such counsel, adversely affect the title, property, or rights of the Lessor, and (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent.

SECTION 8. Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against, all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or the Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to the Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease

(excluding, however, federal taxes on, or measured by, the net income of the Lessor and taxes, fees or other charges of any other jurisdiction solely based on, or solely measured by, the net income of the Lessor and (i) imposed by the jurisdiction in which the principal office of the Lessor is located or (ii) imposed by any other jurisdiction in which the Lessor is subject to taxes, fees or other charges as a result of business or transactions unrelated to this Lease) unless, and only to the extent that, the Lessee shall have given to the Lessor written notice of any such Imposition, which notice shall state that such Imposition is being contested by the Lessee in good faith and by appropriate proceedings and counsel for the Lessor shall have determined that the nonpayment thereof or the contest thereof in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made, whether in the name of the Lessor, the Lessee or the Owner Trustee (including, without limitation, all state and local sales, use and property tax returns) with respect to any obligation of the Lessee under this Section 8 or arising out of this Section 8, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Equipment in the Lessor or the Owner Trustee and send a copy of such report or return to the Lessor or will notify the Lessor of such requirement and make such report

or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 9. Use, Maintenance and Operation;
Identifying, Marks.

(a) The Lessee agrees that the Equipment will be used in compliance with any and all statutes, law, ordinances and regulations of any governmental agency applicable to the use of the Equipment, and, subject to the provisions of Section 14 hereof, will at all times be used solely in the conduct of its business and be and remain in the possession and control of the Lessee. Throughout the term of this Lease, the possession, use and maintenance of the Equipment shall be at the sole risk and expense of the Lessee.

(b) The Lessee shall use the Items of Equipment only in the manner for which they were designed and intended and will, at its own cost and expense, install or otherwise provide all mechanisms, modifications and improvements required for the Equipment to be in compliance with Section 9(a) hereof and repair and maintain each Item of Equipment so as to keep it in as good condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted.

(c) The Lessee will not, without the prior written consent of the Lessor, affix or install any accessory, equipment or device on any Item of Equipment leased hereunder which will either impair the originally intended function or use of any such item or constitute an improvement or addition to such Item of

Equipment which is not, within the meaning of any law, regulation or procedure then in effect, readily removable (non-removable addition). The Lessor shall be deemed to have consented in advance to any non-removable addition which is required by the terms of Section 9(b) hereof. The Lessee agrees that any addition or improvement to the Equipment which has been furnished, attached or affixed to any Item with the consent of the Lessor shall upon attachment or affixation become the property of the Lessor and thereupon all such accessories, equipment and devices shall become a part of the Equipment leased hereunder. The Lessee agrees that each such Item is, and shall continue to be throughout the term of this Lease, personal property under applicable law and the Lessee agrees to take such action as shall be required from time to time by the Lessor to protect the Owner Trustee's title to each such Item and the right of the Lessor to remove the same.

(d) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor and (2) maintain the Equipment Marking on each Item of Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Owner Trustee to such Item of Equipment, the rights of the Lessor under this Lease and the lien granted by the Owner Trustee in financing the Lessor's Cost of the Equipment. The Lessee will not place any Item of Equipment in operation or exercise any control or

dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

(e) The Lessee represents that it has no present intention to make any non-removable addition to the Equipment and that it does not presently foresee that any such non-removable addition will be required by the terms of this Lease. The Lessee agrees that any non-removable addition to the shall be treated as income for tax purposes by the Owner Trustee and the cost thereof shall be an "Additional Expenditure" for purposes of Section 15 hereof.

SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Equipment. Upon the request of the Lessor, the Lessee shall confirm to the Lessor the location of each Item of Equipment and shall, at any reasonable time, make the Equipment, and the Lessee's records pertaining to the Equipment, available to the Lessor for inspection.

SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for use for any reason whatsoever, or title thereto shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (Requisition of Use), or any Item of Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity provisions of the Purchase Agreement, such fact shall promptly be

reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 30 days after the date of occurrence of any such damage or wearing out, whether such Item of Equipment can be repaired or replaced.

(c) In the event Lessee determines that such Item cannot be repaired or replaced or in the event of such damage, wearing out, destruction, loss, theft, unfitness for use, Requisition of Use for a stated period which exceeds the term of this Lease, or return of such Item to the manufacturer or seller thereof without replacement thereof (any of such occurrences being referred to as an Event of Loss), the Lessee shall promptly notify the Lessor of such Event of Loss. On the February 15 or August 15 next following the date of such Event of Loss, or, if such Event of Loss occurs after the Last Basic Rent Date, on the Expiration Date, the Lessee shall pay to the Lessor the Casualty Value of such Item, determined as of such date, together with any Rent then due. In the event the Lessee determines that such Item can be repaired or replaced, the Lessee shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 60 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required to perfect, protect and preserve any security interests created by the Owner Trustee; provided, however, that if the Lessee shall, within such 60-day period, have commenced the repair or replacement of such Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or

replacement within such 60-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be extended by the number of days necessary to complete such repair or replacement up to a maximum of 30 additional days, and further provided, that if the Lessee shall fail to repair or replace such Item within such repair or replacement period (including any extension thereof) the Lessee shall, on the February 15 or August 15 next following the end of such repair or replacement period, pay to the Lessor the Casualty Value of such Item, determined as of such date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following, as appropriate, the Event of Loss or the repair or replacement period and the Lessee shall the Lessor interest at the Overdue Rate on an amount equal to the Casualty Value, as of the Expiration Date, from the Expiration Date to the date the Casualty Value is paid. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Section 15 hereof, shall still be required to indemnify the Lessor for any Loss, as defined in Section 15 hereof, due to the Lessee's act of replacing an Item of Equipment authorized hereof. Upon making such Casualty Value payment in respect of such Item and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item, and to pay Rent for all other Items of Equipment shall remain unchanged and the Lessee shall be obligated to pay Interim

Rent and each and every installment of Basic rent up to and including Rent on the February 15 or August 15 date for the payment of Casualty Value. Except in the case of loss, theft, destruction, or return to the manufacturer or seller, the Lessor shall be entitled to recover possession of such Item, unless possession of such Item is required to be delivered to an insurance carrier (other than the Lessee) in order to settle an insurance claim arising out of the Event of Loss. The Lessor shall be entitled to retain any salvage value collected by such insurance carrier in excess of the amount paid to the Lessor by said insurance carrier. The Lessor shall be under no duty to Lessee to pursue any claim against any governmental authority, but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. Any replacement Item installed by the Lessee in accordance with the provisions of this Section 11(c) shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, assuming the Item replaced was in the condition and state of repair required to be maintained by the terms hereof.

(d) Following payment of the Casualty Value of an Item of Equipment in accordance with the provisions of Section 11(c), the Lessee shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item so disposed of, the Lessee may, after paying

the Lessor the amounts specified in Section 11(c), retain all amounts of such price, plus damages received by the Lessee by reason of such Event of Loss, up to the Casualty Value and the Lessee's reasonable costs and expenses of disposition attributable thereto, and shall remit the excess, if any, to the Lessor. As to each Item of Equipment returned to the manufacturer or seller thereof in the manner described in Section 11(a) and not replaced or modified by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Agreement, the Lessor agrees that the Lessee shall receive and retain all amounts payable to the Lessor by the manufacturer or seller for the return of such Item, up to the Casualty Value paid by the Lessee hereunder, and any excess shall be paid over to or retained by the Lessor. As to each Item of Equipment modified and each replacement Item installed by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Agreement, the Lessor and the Lessee agree that such modified Item or replacement Item shall be delivered to the Lessee and shall, without any further act of the Lessor or the Lessee, be considered an Item for all purposes of this Lease.

(e) Except as hereinabove in this Section 11 provided, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage or Event of Loss to any Item of Equipment after delivery to and acceptance by the Lessee hereunder.

(f) In the case of a Requisition of Use of any Item of Equipment for a stated period which does not exceed the term of

this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item, and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums received by reason of any such Requisition of Use up to the Casualty Value, and any excess shall be paid to the Lessor.

SECTION 12. Insurance.

At its own expense, the Lessee will cause to be carried and maintained casualty insurance with respect to each Item of Equipment in an amount not less than the Casualty Value of the Equipment from time to time (with a deductible not exceeding \$1,000,000) and public liability insurance in an amount equal to at least \$15,000,000, each occurrence (with a deductible not exceeding \$2,000,000). Any policies with respect to such insurance shall be with an insurance carrier acceptable to the Lessor and, if requested by the Lessor, shall name the Lessor, the Lender, the Owner Trustee and the Lessee as assureds and loss payees, as their interests may appear, and shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor and the Owner Trustee in the event of cancellation or expiration. The Lessee shall, upon request of the Lessor, furnish appropriate evidence of such insurance.

SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations,

losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease or any document contemplated hereby or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Equipment arising from acts or events which occur after possession of such Item of Equipment has been redelivered to the Lessor, or (b) any Claim resulting from acts which would constitute the wilful misconduct or gross negligence of the Lessor. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 13, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event

requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. The Lessee agrees that the Lessor shall not be liable to the Lessee for any Claim caused directly or indirectly by the inadequacy of any Item of Equipment for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business, all of which shall be the risk and responsibility of the Lessee. The rights and indemnities of the Lessor hereunder are expressly made for the benefit of, and shall be enforceable by, the Lessor notwithstanding the fact that the Lessor is either no longer a party to this Lease, or was not a party to this Lease at its outset.

SECTION 14. Assignment by Lessee.

Without the prior written consent of Lessor, the Lessee shall not lend or sublease any Item of Equipment, or assign this Lease in whole or in part or create, incur or allow any lien, encumbrance or claim to exist with respect to Lessee's leasehold interest hereunder. The Items of Equipment shall at all times be located only in the State of Louisiana and those jurisdictions in the continental United States which shall have adopted and shall have in effect the Uniform Commercial Code. No sublease, other relinquishment of the possession of any of the Equipment, or assignment by the Lessee of any of its rights hereunder done with

the written consent of the Lessor shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15. Tax Idemnification.

(a) This Lease has been entered into on the basis that the Beneficiary shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) unless otherwise provided in Exhibit C hereto, the investment tax credit (Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of 1954, as amended (Code), in an amount equal to the perentage set forth in Exhibit C hereto of the Lessor's Cost of each Item of Equipment;

(ii) the deduction for accelerated depreciation (Depreciation Deduction) on each Item of Equipment under various sections of the Code based upon the Depreciation Method set forth in Exhibit C hereto;

(iii) the deduction under section 163 of the Code (Interest Deduction) in the full amount of any interest paid or accrued by the Beneficiary in accordance with the Beneficiary's method of accounting for tax purposes with respect to any indebtedness incurred by the Beneficiary to finance the Lessor's Cost of the Equipment.

(b) If the Beneficiary shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Beneficiary, all or any portion of the Investment Credit, the Interest Deduction or the Depreciation

Deduction as is provided to an owner of property with respect to any Item of Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Equipment shall, on and after the next succeeding Basic Rent Date, after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item which, in the reasonable opinion of the Lessor, will indemnify the Lessor for any liability it may have to the Owner Trustee under the Prime Lease and thereby cause the Lessor's net return over the term of this Lease in respect of such Item to equal the net return that would have been available if the Beneficiary had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item. In the event that such Loss occurs after the Last Basic Rent Date, the Lessor shall notify the Lessee in writing of such Loss and the Lessee shall, on the date occurring 30 days after the date of such Loss, pay to the Lessor such sum as the Lessor shall be required to pay the Owner Trustee under the Prime Lease. The Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any State against the Beneficiary attributable to the Loss.

(c) For purposes of this Section 15, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Equipment) which may cause such Loss, (2) the payment by the Beneficiary to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the

Beneficiary to reflect such Loss. With respect to any Item of Equipment, the Beneficiary shall be responsible for, and shall not be entitled to a payment under this Section 15 on account of, any one or more of the following events: (i) a disqualifying disposition due to the sale of such Item of Equipment or the lease thereof by the Beneficiary prior to any default by the Lessee, or (ii) a failure of the Beneficiary to timely or properly claim the Investment Credit, Interest Deduction or Depreciation Deduction for such Item of Equipment in the tax return of the Beneficiary, or (iii) a disqualifying change in the nature of the Beneficiary's business or the liquidation thereof, or (iv) a foreclosure by any person holding through the Beneficiary of a lien on such Item of Equipment, which foreclosure is not the result of an Event of Default hereunder, or (v) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value of such Item, if such Casualty Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section 15, or (vi) any change in tax law, rules or regulations, or (vii) the failure of the Beneficiary to have sufficient liability for tax against which to apply such Investment Credit or taxable income against which to apply such Depreciation Deduction or Interest Deduction.

(d) If all or part of the cost of any non-removable addition made by the Lessee to any Item of Equipment (hereinafter called Additional Expenditure) is included in the gross income of

the Owner Trustee or the Beneficiary for federal income tax purposes at any time prior to the time such Item is disposed of in a taxable transaction, then the Rent for the Item affected, on the next succeeding Basic Rent Date after the date on which the Beneficiary pays additional income taxes with respect thereto, shall be increased to such amount or amounts as shall, in the reasonable opinion of the Lessor will indemnify the Lessor for any liability it may to the Owner Trustee under the Prime Lease on account of such Additional Expenditure.

(e) All of the Lessor's rights and privileges arising from the indemnities contained in this Section 15 shall survive the expiration or other termination of this Lease with respect to any or all Items of Equipment and such indemnities are expressly made for the benefit of and shall be enforceable by the Lessor, its successors and assigns.

SECTION 16. Lease Extension, Purchase Option.

(a) Provided that this Lease has not been terminated and provided that no Event of Default has occurred and is continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to the Equipment for such Lease Extension Periods as are provided for in Exhibit C hereto for a rental equal to the Fair Market Rental Value thereof determined as the end of term or last extended term of this Lease or at the end of the term or any extended term of this Lease to purchase the Equipment from the Lessor at a price equal to the Fair Market Value thereof.

(b) Not less than 270 days prior to the Expiration

Date or end of the last renewal period, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension or purchase option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value or Fair Market Value of the Equipment as of such date. If, on or before a date 180 days prior to such date, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value or Fair Market Value, such amount shall be determined in accordance with the procedure for Appraisal. After a determination has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease or purchase the Equipment by delivering written notice of such exercise to the Lessor not less than 120 days prior to the Expiration Date or end of the last renewal period. If the procedure for Appraisal has been used and the Lessee does not elect the option for which such procedure was used, the Lessee shall pay the fees and expenses of all appraisers involved in the procedure.

(c) Fair Market Rental Value shall be determined on the basis of and shall mean the aggregate amount which would be obtainable in an arm's length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease.

SECTION 17. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under the Lease listed below (whatever the reason for such Event of Default and whether it

shall be voluntary or involuntary or come about or be affected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body).

(a) The Lessee or any Reorganized Company shall fail to make any payment of Rent within 10 days after the same shall become due; or

(b) The Lessee or any Reorganized Company shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this Lease or any agreement, document or certificate delivered by the Lessee in connection herewith, and such failure shall continue for 20 days after written notice thereof from the Lessor to the Lessee or any Reorganized Company; or

(c) Any representation or warranty made by the Lessee in this Lease or in any document or certificate furnished to the Lessor in connection herewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(d) Any of the Lessee's obligations hereunder shall not be accorded first priority for expenses of administration in the Reorganization Proceeding or the Lessee shall admit an inability to meet the obligations under this Lease as they may become due or any liquidation or proceeding to terminate the Lessee as a going concern shall be commenced; or

(e) If this Lease is adopted by or on behalf of any Reorganized Company in connection with the Reorganization

Proceedings but, in connection therewith, any term or provision of this Lease is revised, modified, amended, terminated or superseded in any respect; or

(f) A petition in bankruptcy shall be filed by any Reorganized Company, or any Reorganized Company shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for any Reorganized Company, for any Item of Equipment or for a substantial part of its property without its consent and shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against any Reorganized Company and shall not be dismissed for a period of 60 days; or

(g) Any Reorganized Company shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material real or personal property, and the applicable grace period with respect thereto shall have expired and the obligations shall not be contested in good faith; or

(h) The Lessee or any Reorganized Company shall attempt to remove, sell, transfer, encumber, part with possession of, assign or sublet any Item of Equipment; or

(i) The order of the Court entered in the Reorganization Proceedings authorizing the execution and delivery of this Lease shall be revised, modified, amended, terminated or superseded in any respect which would involve the possibility of

materially and adversely affecting the rights; powers, privileges or remedies of the Lessor under this Lease.

SECTION 18. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Equipment to the possession of the Lessor at such place as the Lessor shall designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and

payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Item which represents the excess of (i) the present value, at the time of such termination, of the entire unpaid balance of all Basic Rent for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Item over (ii) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Item during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which Basic Rent would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment Basic Rent; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Basic Rent payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Item at such time; provided, however, that in the event the

Lessor shall have sold any Item, the Lessor, in lieu of collecting any amounts payable to the preceding clauses (x) and (y) of this part (2) with respect to such Item, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Item, as of the Basic Rent payment date on or next preceding the date of termination, over the net proceeds of such sale.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the

Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 19. Special Representations, Warranties and Covenants of the Lessee.

The Lessee hereby represents, warrants and covenants as follows:

(a) William M. Gibbons has been duly appointed and is validly acting as Trustee of the property of Rock Island Railroad, has all requisite power and authority to carry on the business of the Rock Island Railroad as now being conducted and by a specific order duly authorized, executed and delivered by the Court has received all requisite power and authority to enter into, execute and deliver this Lease and the Purchase Agreement;

(b) This Lease and the Purchase Agreement have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreement of the Lessee enforceable in accordance with their terms and during the continuance of the Reorganization Proceedings the obligations of the Lessee under this Lease and the Purchase Agreement including without limitation the obligation to pay Rent and any other sums due and owing hereunder, constitutes an expense of administration payable on a parity with other such expenses and no other equipment obligation assumed or incurred by the Lessee has priority over this Lease and the rights of the Lessor therein and in the Equipment and upon the occurrence of an Event of Default any claim for damages hereunder will constitute an expense of administration as aforesaid;

(c) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of this Lease and the Purchase Agreement or in the event that any such approval, consent or withholding of objection is required, it has been obtained (and specifying the same);

(d) Execution and delivery by the Lessee of this Lease and the Purchase Agreement does not violate any provision of the Charter or By-Laws of Rock Island Railroad or of any law, any order of any court or governmental agency, or any indenture, agreement or other instrument to which the Lessee or Rock Island Railroad is a party or by which either of them, or any of their property, is bound and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee or Rock Island Railroad, except as contemplated and permitted hereby;

(e) Each Item of Equipment will be new and unused on the date title thereto is acquired by the Owner Trustee and will not have been put into use or operation by the Lessee prior to the date of acceptance set forth in the Certificate of Acceptance delivered with respect thereto;

(f) The balance sheet, statement of income and statement of changes in financial position of the Lessee, heretofore delivered to the Lessor, have been prepared in

accordance with generally accepted accounting principles and fairly present the financial position of the Lessee, on and as of the date thereof and the results of its operations for the period or periods covered thereby. Since the date of such balance sheet there has been no material adverse change in the financial condition of the Lessee;

(g) The Lessee agrees to furnish to the Lessor:

(i) within 120 days after the close of each fiscal year of the Lessee occurring after the date hereof, an audited balance sheet and statement of changes in financial position of the Lessee, at and as of the end of such fiscal year, together with an audited statement of income of the Lessee for such fiscal year;

(ii) within the period set forth in (i) above, a certificate of an authorized officer of the Lessee stating that he has reviewed the activities of the Lessee and that, to the best of his knowledge, there exists no Event of Default, as such term is defined in the Lease, and no event which with the giving of notice or the lapse of time, or both, would become such an Event of Default;

(iii) upon the written request of the Lessor, copies of all material court orders and financial statements, reports or notices as the Lessee shall distribute or mail to interested parties in the Reorganization Proceedings; and

(iv) from time to time, such other information as the Lessor from time to time may reasonably request.

(h) The Lessee agrees to furnish to the Lessor on or before the First Delivery Date and as a condition of the Lessor's obligation to lease the Equipment to the Lessee hereunder: (i) a copy of the Court order, to which is appended a copy of this Lease, referred to in paragraph (a) of Section 19 hereof and (ii) an opinion of counsel for the Lessee, satisfactory in form and substance to the Lessor as to the matters referred to in paragraphs (a), (b), (c) and (d) of this Section.

SECTION 20. Titling and Registrating Vehicles.

With respect to each Item of Equipment which is a vehicle of the type for which a Certificate of Title is required, or which is registerable, under the laws of any jurisdiction, the Lessee will, as applicable, undertake the following:

(a) The Lessee will, on behalf of the Owner Trustee and at the Lessee's expense, obtain from the appropriate governmental agency of the jurisdiction where such Item is to be accepted, as set forth in the Certificate of Acceptance therefor, an application for the first Certificate of Title of such Item. Such application shall contain such information as shall be required from time to time by such governmental agency and shall be in form and substance satisfactory to the Lessor. The Certificate of Title for each such Item of Equipment shall reflect the Owner Trustee as owner and The Sumitomo Bank of California (the Lender) as first lienholder and shall be held by the Lessee as agent for the Lender or be delivered to such other person as the Lessor shall designate by notice in writing to the Lessee. Unless such Item of Equipment shall have been scrapped,

dismantled or destroyed and the Casualty Value thereof shall have been paid by the Lessee to the Lessor as required by this Lease, the Lessee shall take such action as shall be necessary from time to time to avoid suspension or revocation of such Certificate of Title.

(b) The Lessee will obtain a Certificate of Registration with respect to such Item of Equipment, which Certificate may be issued in the name of the Lessee, unless not permitted by applicable law, in which case such Certificate of Registration shall be issued in the name of the Owner Trustee, and will affix to such Item of Equipment the number plates issued by the appropriate governmental agency of the jurisdiction in which such Item is to be accepted, as set forth in the Certificate of Acceptance therefor. Unless such Item of Equipment shall have been scrapped, dismantled or destroyed and the Casualty Value thereof shall have been paid by the Lessee to the Lessor as required by this Lease, the Lessee shall take such action as shall be necessary from time to time to renew and maintain such Certificate of Registration and will pay all fees with respect thereto.

(c) The Lessor hereby appoints the Lessee its attorney-in-fact for the purpose of carrying out the Lessee's obligations pursuant to this Section 20.

(d) In the event that the Lessee is required by applicable law or otherwise to obtain any new Certificate of Title or Certificate of Registration with respect to any Item of Equipment, the Lessee shall, after prior written notice to the

Lessor, obtain such new Certificate of Title or Certificate of Registration in the manner provided and subject to the terms of paragraphs (a) and (b) of this Section 20. If the Lessee obtains a new Certificate of Registration with respect to any Item of Equipment in any jurisdiction other than the jurisdiction in which such Item was previously registered, the Lessee shall also obtain a Certificate of Title in such other jurisdiction with respect to such Item in the manner provided and subject to the terms of paragraph (a) of this Section 20; provided, that if the notation of a lien on a Certificate of Title is not the exclusive means of perfecting a security interest in such other jurisdiction, the Lessee will, at its own expense, make such filings as are necessary to perfect the lien of the Lender in such other jurisdiction.

SECTION 21. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail prepaid, addressed

(a) if to the Lessor at:

633 Battery Street
San Francisco, California 94111

Attention: Vice President

(b) if to the Lessee at:

322 South Michigan Avenue
Chicago, Illinois 60605

Attention: Burton M. Strauss, Jr.
Chief Financial Officer

SECTION 22. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Prime Lease.

(b) This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and inure to the benefit of the Lessor and its successors, assigns, agents, servants and personal representatives.

(c) All agreements, indemnities, covenants, representations and warranties contained in this Lease or in any document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(d) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by

applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(e) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Equipment, except as lessee only.

(f) The single executed original of this Lease marked "Original" shall be the "Original" and all other counterparts hereof shall be marked and be "Duplicates." To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Lease may be created through the transfer or possession of any counterpart other than the "Original."

(g) This Lease shall be construed in accordance with, and shall be governed by, the laws of the State of California.

(h) Section headings are for convenience only and shall not be construed as part of this Lease.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

LESSOR:

UNITED STATES LEASE
FINANCING, INC.

By 
Vice-President

LESSEE:

WILLIAM M. GIBBONS, Trustee of
the Property of
CHICAGO, ROCK ISLAND AND PACIFIC
RAILROAD COMPANY

By 
Authorized Trustee Officer

DUPLICATE

EXHIBIT A
to
EQUIPMENT LEASE
DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>*Description</u>	<u>Estimated Lessor's Cost (Per Item)</u>
4	Pettibone Speed Swing per bulletin P1717 and the following options 4-53 GM diesel-rops cab- heater-defroster-west coast mirrors- farr air cleaner- 13 x 24 x 16 ply tires spare tire and wheels-3 yd. snow bucket-1-1/4 yd. bucket-track cleaning bucket-forks-tote hook-pedestal 30" magnet-generator and hyrail gear- to meet Rock Island Specifications. Manufactured by Pettibone Corp.	\$ 92,300.00 each
1	Mark I Model EA Tamper-fail safe brakes- and per Rock Island specs. Manufactured by Can Ron Rail Group.	62,338.00
3	Railway Track Work Tie Handlers w/24' articulating boom- fail safe brakes- running lights- TR 1000 single head- TG 3000 tie grapple head- to meet Rock Island Specifications. Manufactured by Railway Track Work.	22,698.00 each
2	Rexnord Rail Gang Spikers with gauging attachments as per Rexnord bulletin 386 and to meet Rock Island specifications. Manufactured by Rexnord Inc.	60,550.00 each
2	Model 34-3 Scarifier Inserters as per bulletin No. 1-34-3/974 with extended reaching arm all machines to meet Rock Island specifications. Manufactured by Kershaw; supplied by Donald J. Hogan Co.	33,320.00 each
2	Model 39-2 Kershaw Tie Injector as per bulletin L-398-8-76 and Rock Island specifications. Manufactured by Kershaw; supplied by Donald J. Hogan Co.	55,671.00 each

2	W68 Series C Hydraulic Tie Removers per bulletin No. 788- optional set off- and turn table to meet Rock Island specifications. Manufactured by Fairmont Railway Motors.	14,254.80 each
4	Model Mark I EA-TD-G Tampers and the following options 4 wheel drive- auto up-feed switch-automatic shutdown- fail safe brakes-emergency hand pump- 1 extra set tamping bars- to meet Rock Island specifications. Manufactured by Can Ron Rail Group.	109,813.00 each
1	Injector- Nordberg OMSI as per bulletin No. 404 and to meet Rock Island specs. Manufactured by Rexnord Inc.	<u>98,000.00</u>
21 Items TOTALS		\$1,364,475.60

* Parts and accessories also included. Equipment shall include such additional quantities of Items of Equipment specifically described above as the Lessee shall include in a Certificate of Acceptance; provided, however, that in no event shall the maximum Lessor's Cost of \$1,400,000 be exceeded.

EXHIBIT B TO
EQUIPMENT LEASE

CERTIFICATE OF ACCEPTANCE NO. _____

Equipment Lease dated as of October 1, 1977 (the Lease) between UNITED STATES LEASE FINANCING, INC., as lessor (the Lessor) and WILLIAM M. GIBBONS, Trustee of the Property of CHICAGO ROCK ISLAND AND PACIFIC RAILROAD COMPANY, as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), have been delivered to the location indicated below, tested and inspected by the Lessee, found to be in good order and accepted as Items of Equipment under the Lease, all on the date indicated below:

Jurisdiction in Which
Such Items are Accepted:

Date of Acceptance:

2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor that on the Date of Acceptance with respect to each Item of Equipment:

(1) the representations and warranties of the Lessee set forth in the Lease, are true and correct in all material respects on and as of such date as though made on and as of such date;

(2) the Lessee has satisfied or complied with all requirements set forth in the Lease to be satisfied or complied with on or prior to such date;

(3) no Event of Default under the Lease or event which, with the giving of notice or the lapse of time, or both, would become such an Event of Default has occurred and is continuing; and

(4) the Lessee has obtained, and there are in full force and effect, such insurance policies with respect to such Item of Equipment required to be obtained under the terms of the Lease.

WILLIAM M. GIBBONS, Trustee of
the Property of
CHICAGO, ROCK ISLAND AND PACIFIC
RAILROAD COMPANY,
as Lessee

By _____
Authorized Trustee Officer

Dated: _____

Accepted on the Date of Acceptance
set forth in paragraph 1 above on
behalf of the Lessor:

By _____
Authorized Representative of
United States Lease Financing, Inc.

EXHIBIT B TO
EQUIPMENT LEASE

SCHEDULE 1 TO
CERTIFICATE OF ACCEPTANCE NO. _____

Description of Equipment and Lessor's Cost

Description

Lessor's Cost

EXHIBIT C

First Delivery Date: November 15, 1977.

Final Delivery Date: January 30, 1978.

Rent Commencement Date: Date of payment for each Item.

Expiration Date: February 15, 1985.

Interim Rent Daily Factor: .0449434%

Basic Lease Rate Factor: 1.348302%

First Basic Rent Date:
(all accrued Interim Rent
also due on this date) February 15, 1978.

Basic Rent Dates: The fifteenth (15th) day of each
and every month.

Last Basic Rent Date: January 15, 1985.

Overdue Rate: 15%

Return of Equipment: Any location along the Lessee's
lines of railroad requested by the
Lessor.

Lease Extension Periods: Five (5) one-year terms.

Equipment Marking: Property of Wells Fargo Bank N.A.,
as Owner Trustee, Lessor; and
subject to a security interest.

Investment Credit: 10% of Lessor's Cost.

Net Salvage Value: An amount equal to 10% of the
Lessor's Cost of the Equipment.

Depreciation Method: Double declining balance method,
switching, when most advantageous
to Owner Trustee, to the straight-
line method without the prior
consent of the Commissioner of
Internal Revenue, facts and
circumstances method and taking
into account the Net Salvage Value
of the Equipment.

EXHIBIT D TO
EQUIPMENT LEASE

EXHIBIT D


The Casualty Value of each Item of Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable Basic Rent Date:

<u>DATE</u>	<u>CASUALTY VALUE</u>
2/15/78	111.096%
8/15/78	107.663
2/15/79	103.738
8/15/79	99.449
2/15/80	94.829
8/15/80	89.948
2/15/81	78.426
8/15/81	73.106
2/15/82	67.614
8/15/82	61.967
2/15/83	49.799
8/15/83	43.933
2/15/84	38.009
8/15/84	31.765
2/15/85	20.000
Thereafter	20.000

In the event the Basic Lease Rate Factor is increased, pursuant to the tax indemnification provisions set forth in Section 15 of the Lease, Casualty Values will be adjusted accordingly.

STATE OF CALIFORNIA)
) SS
CITY AND COUNTY OF SAN FRANCISCO)

On this 11th day of November, 1977, before me personally appeared David A. Woolsey, to me personally known, who being by me duly sworn, says that he is the Vice President of United States Lease Financing, Inc., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)  ELOISE C. VANDIVEER
Notary Public - California
County of San Francisco
My Commission Expires May 15, 1979
My commission expires: 5/15/79

Eloise C. Vandiveer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 9th day of November, 1977, before me personally appeared John W. Ingram ^{DUNTON M. STANAUSS, JR.}, to me personally known, who being by me duly sworn, says that he is the CHIEF FIN. OFFICER ~~President~~ of the Trustee of the Property of Chicago, Rock Island and Pacific Railroad Company, that said instrument was executed pursuant to Order of the Court in the Reorganization Proceedings.

(SEAL)

My commission expires: Oct. 26, 1981

John W. Ingram